

Message Text

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TO SECSTATE WASHDC 5581
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E.O. 11652: N/A
TAGS: EFIN, JA
SUBJECT: FUJIOKA ON JAPAN'S ROLE IN WORLD ECONOMY

SUMMARY: MOF D-G FUJIOKA PLEDGES, DEFENDS JAPAN'S COOPERATION
IN ACHIEVING WORLD ECONOMIC RECOVERY; CALLS FOR ADVANCED COUN-
TRIES TO RESIST PROTECTIONISM AND IMPLEMENT OECD'S FINANCIAL
SUPPORT FUND; SAYS JAPAN NOT MANIPULATING EXCHANGE RATE BY
MANIPULATING EXCHANGE CONTROLS. END SUMMARY.

MASAO FUJIOKA, DIR GEN OF THE INTL FIN BUR MOF, HAS
AUTHORED AN ARTICLE ON "JAPAN'S ROLE IN THE WORLD ECONOMY"
FOR THE FEB 77 EDITION OF "FINANCE," THE MONTHLY PUBLICATION
OF THE MOF. FULL TEXT OF THIS ARTICLE IS BEING POUCHED TO
WASHINGTON. SELECTED HIGHLIGHTS OF ARTICLE FOLLOW:

1. TRENDS OF THE JAPANESE ECONOMY: MAXIMUM EFFORTS FOR
STEADY BUSINESS RECOVERY. AS SECOND-RANKING FREE WORLD
ECONOMY, JAPAN'S ROLE AND RESPONSIBILITY ARE INCREASING AND
JAPAN, FULLY AWARE OF THIS RESPONSIBILITY, HAS BEEN MAKING
EFFORTS TO CONTRIBUTE POSITIVELY TO THE DEVELOPMENT OF
THE WORLD ECONOMY. JAPANESE MEASURES INCLUDE SEVEN-POINT
PROGRAM LAST NOV, A SUPPLEMENTARY BUDGET, AND EXPANDED
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BUDGET FOR FY 77 CALLING FOR 6.7 PERCENT GROWTH. IN
SPITE OF COMPARATIVELY HIGH RATE OF INFLATION AND SEVERE
FINANCIAL RESTRAINTS, JAPAN'S FY 77 BUDGET MORE THAN
17 PERCENT OVER PRECEDING FISCAL YEARS AND INCLUDES A MORE
THAN 21 PERCENT EXPANSION IN PUBLIC WORKS EXPENDITURES.
THROUGH THESE EFFORTS, JAPAN ANTICIPATES REAL GROWTH OF
ABOUT 6.7 PERCENT FOR FY 77, A RATHER HIGH RATE COMPARED

WITH OTHER MAJOR ADVANCE NATIONSJM

2. TRENDS OF JAPAN'S BALANCE OF INTL PAYMENTS: PROMOTION OF FREE TRADE AND PROMOTION OF INTL COOPERATION. DESPITE A \$3.7 BIL CURRENT ACCOUNT SURPLUS IN 1976, JAPAN'S CURRENT ACCOUNT BALANCE FOR THE THREE YEARS SINCE THE OIL CRISIS STILL SHOWS A \$1.7 BIL DEFICIT, WHEREAS U.S. AND WEST GERMANY SHOW SURPLUSES OF \$10 BIL OR HIGHER FOR THE SAME 3-YEAR PERIOD. DESPITE THE FACT THAT JAPAN DEPENDS ON IMPORTS FOR MOST OF ITS ENERGY; WAS MOST SERIOUSLY HIT BY THE OIL CRISIS; AND IS ONE OF THE COUNTRIES STILL HAVING A BIG BURDEN, JAPAN WILL MAKE EFFORTS TO ASSURE A BUSINESS UPTURN IN FISCAL 77 IN ORDER TO FULFILL ITS ROLE AND RESPONSIBILITY IN THE WORLD ECONOMY. THE CURRENT ACCOUNT FOR FY 77 IS EXPECTED TO SHOW A DEFICIT OF 0.7 BIL WITH IMPORTS INCREASING BY 16.6 PERCENT. SINCE EXPANSION OF WORLD TRADE IS TO CONTRIBUTE TO THE DEVELOPMENT OF THE WORLD ECONOMY, IT IS VERY REGRETTABLE THAT PROTECTIONIST MOVES ARE TO BE SEEN AMONG SOME COUNTRIES, RECENTLY. JAPAN EXPECTS THAT THE ADVANCED INDUSTRIAL NATIONS WHICH ARE RESPONSIBLE FOR THE DEVELOPMENT OF THE WORLD ECONOMY WILL HAVE THE COURAGE AND WISDOM TO CURB THE PROTECTIONIST MOVES WITHIN THEIR OWN COUNTRIES IN ACCORDANCE WITH THE OECD PLEDGE ON TRADE. THIS SECTION CONCLUDES WITH A REITERATION ON THE IMPORTANCE OF CONSIDERING BOP PROBLEMS ON THE BASIS OF CURRENT ACCOUNTS IN RATHER THAN JUST TRADE ACCOUNTS, AND ON A GLOBAL BASIS, NOT ON A BILATERAL BASIS. EVEN IN DIS-

CUSSIONS ON THE BASIS OF CURRENT ACCOUNTS, JAPAN FEELS THAT UNCLASSIFIED

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ONE SHOULD NOT CONSIDER A PERIOD OF TIME AS SHORT AS HALF A YEAR OR ONE YEAR BUT SHOULD

RATHER CONSIDER A LITTLE LONGER PERIOD OF TIME.

3. JAPAN'S INTL FINANCIAL POLICIES: INTL COOPERATION IN THE FIELD OF CAPITAL. THOSE WHO SUSPECT THAT JAPAN MAY BE MANIPULATING THE EXCHANGE RATE OF THE YEN AND THE BOP TO SUIT JAPAN'S CONVENIENCE BY SKILLFULLY MANIPULATING THE EXCHANGE CONTROLS BASE THEIR JUDGMENT ON A SERIOUS MISUNDERSTANDING. JAPAN'S EXCHANGE CONTROL ARE MOSTLY LIBERALIZED EXCEPT FOR THE BANKING SECTOR WHERE THERE ARE CONTROLS AS IN OTHER ADVANCED NATIONS. JAPAN DOES BELIEVE IT NECESSARY TO INCREASE ITS FOREIGN AID BECAUSE THE LEVEL OF AID BY JAPAN, WHICH JOINED THE AID-OFFERING NATIONS ONLY SOME TEN ODD YEARS AGO, CANNOT BE SAID TO BE SUFFICIENT COMPARED WITH WHAT OF MANY ADVANCE AID-GIVING NATIONS. FOR VARIOUS REASONS JAPAN'S LONG-TERM CAPITAL ACCOUNT IS IN

THE FUTURE EXPECTED TO SHOW A SUBSTANTIAL DEFICIT.
AS FAR AS ADJUSTMENT AND FINANCE ARE CONCERNED, EXCHANGE
RATES WILL TO SOME EXTENT PLAY A ROLE IN CORRECTING
BALANCE OF PAYMENTS DISEQUILIBRIA. THUS, IF THE JAPANESE
ECONOMY IS RELATIVELY STRONG, THE YEN WILL NATURALLY BECOME
STRONG; OR IN THE REVERSE CASE THE YEN WILL NATURALLY BECOME
WEAK. IT WOULD BE ERRONEOUS TO STRENGTHEN OR WEAKEN THE

YEN ARTIFICIALLY. HOWEVER, ALTHOUGH EXCHANGE RATE ADJUSTMENT
IS IMPORTANT, WHAT IS MOST NECESSARY IS FOR NATIONS CONCERNED

TO FOLLOW MODERATE FINANCIAL AND FINANCING POLICIES AND THEREBY
TO MAKE EFFORTS
FOR ADJUSTMENT. SINCE SUCH ADJUSTMENT
TAKES TIME AND EFFORT, FINANCING PROBLEMS MUST BE CONSIDERED AND
IN THIS CONNECTION JAPAN STRONGLY EXPECTS IMPLEMENTATION OF
THE OECD FINANCIAL SUPPORT FUND AGREEMENT. AS EXEMPLIFIED
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BY ITS INCREASE IN LENDING LIMITS UNDER THE IMF'S GAB,
JAPAN WANTS TO PURSUE AS MUCH AS POSSIBLE THE COURSE OF INTL
FINANCIAL COOPERATION IN THE FUTURE.
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